

MADISON'S LUMBER REPORTER



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News & Updates

Quarterly Results

First Quarter 2008 results for Canadian lumber companies were as dismal as expected. Without significant pulp exports to bolster their bottom lines, being saddled with a strong Canadian exchange against the US dollar, and lacking the infusion of the total US\$4 billion return that helped their financial statements last year, there was little good news to report.

Several British Columbia forest products companies are branching out into the real estate business; given the low demand for lumber at the moment Western Forest Products and West Fraser in particular are finding the land more valuable for sale than as timberlands.

NBSK Pulp

Northern Bleached Softwood Kraft prices in the US seem to have stalled, while European prices continue their steady rise started over a year ago.

A global market, and heavily hedged, pulp generally enjoys a regular cycle of price fluctuations. The very recent closure of three Pope & Talbot pulp mills on western North America and a major plant in Finland have taken a million tons of pulp off the market. *READ MORE*

US Softwood Control Bill

Further to last week's stunning move of tacking a softwood lumber addendum to a major agricultural bill, the US Congress is well on its way to making the new bill law.

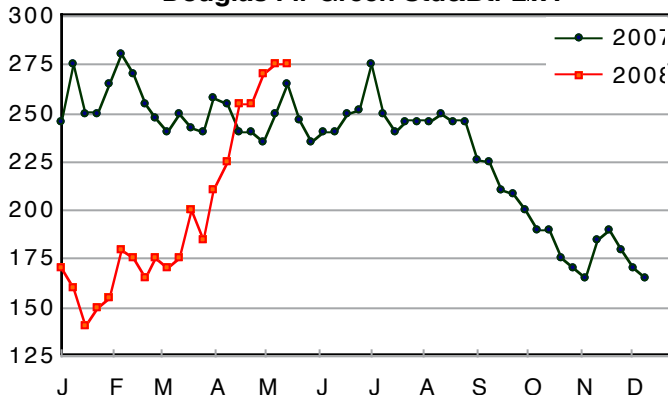
Viewed as directly counter to the terms of the 2006 Softwood Lumber Agreement by Canadian policy makers, the legislation prompted Canada's ambassador to the US Michael Wilson to draft a letter to the American lawmakers responsible. *READ MORE*

Pine Beetle Efforts

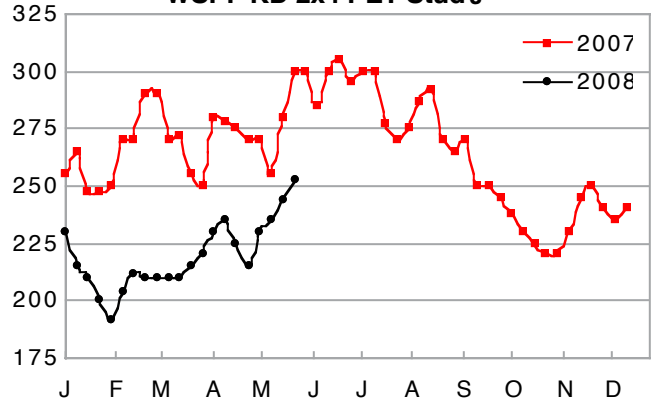
Madison's Canadian Lumber Reporter had another exclusive interview this week, this time with Bob Simpson, British Columbia MLA for Cariboo North.

As Opposition Critic for Forests and Range, Mr. Simpson is in a unique position to inform our readers of what measures are really being taken to find solutions to the Mountain Pine Beetle crisis. He provided Madison's with such a volume of information that we will publish his interview in two parts. *READ MORE*

Douglas Fir Green Std&Btr 2x4



WSPF KD 2x4 PET Studs



Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	242	238	+4	210	+32	252	-10
WSPF KD R/L 2x6	228	232	-4	198	+30	248	-20
WSPF KD R/L 2x8	222	215	+7	202	+20	264	-42
WSPF KD R/L 2x10	263	272	-9	270	-7	310	-47
WSPF KD PET 2x4 Stud	253	244	+9	215	+38	280	-27
Douglas Fir Green R/L 2x4	275	275	0	227	+48	265	+10
Douglas Fir Green R/L 2x10	232	235	-3	180	+52	290	-58
ESPF KD 2x4 8ft Stud	315	320	-5	300	+15	340	-25
OSB Ontario 7/16" (CDN\$)	205	216	-11	155	+50	185	+20

Weekly News

Pulp

CONTINUED Some analysts point to the weakened US dollar, which - it would seem - should make US pulp a good deal in the international marketplace. Given that half of US pulp comes from Canada, where the dollar is currently strong against the Greenback, once the exchange rate is factored in, effects of the weak US dollar seem to be eliminated.

In addition, recent cuts to production have served to bring supply levels down to the point that there simply isn't enough product to make a difference. Plans are underway at a number of Canadian pulp companies to bring more product back on line in the near future.

Meanwhile European NBSK prices continue to rise by healthy amounts, this week up US\$1.90, an increase of US\$35.50 from the beginning of this year. Currently the commodity stands at US\$906.84 per

ton (SOURCE: www.foex.fi), which is very high in comparison to historical statistics. For example, between 2004 and 2006 European pulp fluctuated between US\$550 and US\$650 per ton, after a year of steady increases.

Softwood Lumber Imports

Mr. Wilson reminded the members of the US House of Congress that the addendum included measures "already considered and rejected by the US Administration".

A major issue with the terms of amendment is the virtual impossibility of providing the newly-required documentation within the time frame stated. American Home Depot and other retailers would be required to prove that the Canadian taxes had been paid before the product was even allowed to enter the country.

However the logistics of this time frame are prohibitive in the extreme, given that the tax forms and other documentation are not even due at the Canada Revenue Agency until the end of the month. Canadian lumber exporters ask how the US expects to enforce this new legislation.

Announcement

Ron Helmer, owner of Davron Forest Products Ltd. this week announced the impending closure of the Langley, BC, cedar remanufacturing firm. Having been started in 1977 by Helmer and partners Vern Friesen and Dave Buzza, Davron's shipments have dwindled to a point where it is no longer viable.

"There are too many people working the wood pile," according to Helmer. At its peak, the company employed approximately a dozen office personnel and about 150 plant workers at as many as eight locations around the lower mainland. "The model was lumber, money and talent," said Helmer.

Planning an active retirement, Ron Helmer will focus on church activities, golf, oil painting and singing online.

EARNINGS FOR CANADIAN FOREST PRODUCTS COMPANIES

Three Months to March 31

(in millions of CDN dollars)	2008	2008	2007	2007
	Net Sales	Earnings	Net Sales	Earnings
AbitibiBowater	1,728.00	(149.00)	772.00	25.00
Ainsworth Lumber	88.50	(88.20)	135.00	(22.80)
Canfor Corp.	648.50	(85.40)	850.60	(42.70)
Cascades Inc.	959.00	(9.00)	1,000.00	5.00
Domtar Inc.	1,700.00	36.00	1,051.00	71.00
International Forest Products	114.40	(1.10)	164.60	6.60
Norbord (in \$U.S.)	234.00	(31.00)	261.00	(16.00)
Catalyst	339.50	(29.60)	478.10	(30.70)
Taiga Forest Products (1Q)	235.13	(1.90)	232.16	2.14
Tembec Inc.	545.00	(60.00)	649.00	138.00
TimberWest Forest Corp.	45.00	(4.40)	112.30	27.20
Western Forest Products	136.60	(42.90)	279.10	108.30
West Fraser Timber Co.	782.20	(2.90)	727.20	296.20

Amounts in brackets indicate loss.

Calendar

June 2008

MLB 63rd Annual AGM

June 4-6 - Halifax, NS

www.mlb.ca

Bioenergy Conference & Ex. 2008

June 3-5 - Prince George, BC

www.bioenergyconference.org

25th Annual Wood Transportation and Marketing Conference

June 18-21 - Whistler, BC

604 669-7996 x 101

Mountain Pine Beetle

MPB Recovery Uncoordinated

“The Federal [Canadian] government keeps throwing millions of dollars at the problem. The \$100 million plus that Dick Harris, MP, talks about moving into MPB recovery actually came from the previous Federal Liberal government of Paul Martin and was a backfill for previous cuts that government had made,” remarked Bob Simpson, MLA.

by Zara Heartwood

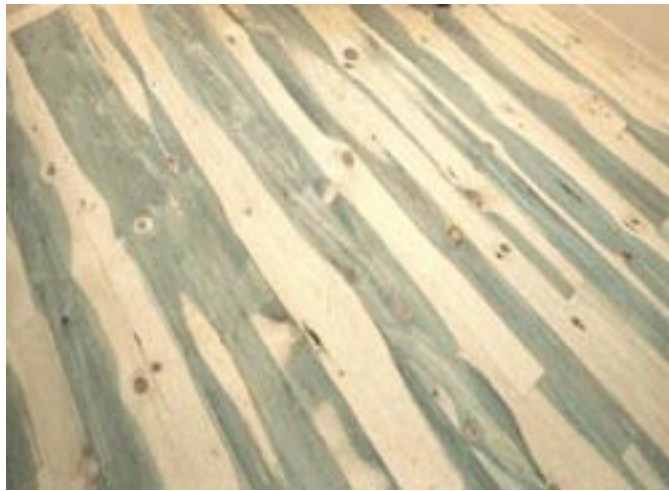
“It is troubling that we don’t have a coordinated Federal – Provincial response to the Mountain Pine Beetle problem,” said Bob Simpson, British Columbia member of legislature representing Cariboo North. His constituency encompasses the cities of Prince George and Quesnel, BC. “One problem is that we can’t track what happened to the money from the Federal government.”

In a time when the US housing market has taken a downturn, mills are closing throughout the province of BC due to market conditions, the mountain pine beetle is devouring the forests and those stands are being clear cut, the Canadian government is funding research and development projects that are not being monitored for effectiveness. Bob Simpson asked, “How much money has gone into R&D pet projects? We don’t know. How many of those products have gone into the market? None. Not one has seen the light of day.”

Simpson asserted that he is all for monitored R&D. Value-added products must be developed to augment the dwindling income from the direct forest resource. However, sourcing the raw materials for these products is hampered by the “tenure” system as it exists in BC.

Tenure is an arrangement between the provincial government and private industry to access public lands for economic activity. In the case of the forest industry, only four or five companies have special tenure relationships with the province that directly or indirectly control the log flow in BC. Currently all wood fibre from crown lands goes into lumber, and is unavailable for new, value-added products.

“We need to change the tenure system. If we had a free market for logs, we would have fibre available for other pro-



Blue Stained Floor Made from Beetle Kill Wood

grams. In addition, without the tenure system, the objections of the US lumber lobby would no longer be relevant,” said Simpson. The softwood lumber agreement between the US and Canada is predicated on special relationships like the tenure system between the forest industry and the province.

Rich Coleman, British Columbia Minister responsible for Forests and Range, has recently come under fire for failing to fulfill his promises to coordinate the effort on the Mountain Pine Beetle. “He dropped the ball,” said Simpson. “Years of this [Provincial] Liberal government have not produce the results that were specifically targeted.”

“Right now we view our forests as a source for lumber only. We have to shift to see it as a resource for a variety of products including: pharmaceuticals, bio-plastics, bio-fuels, bio-chemicals. Direct forest products like lumber need to be just part of the mix including value added and engineered wood products, pulp, pellets and power.”

Simpson continued, “The next five years we have a huge impact on allowable cuts. As a province, we need a new business model and market strategy that is value-added.”

To ensure that there will be forests in British Columbia in the future, forest health must be a major thrust. For example, trees must be planted at least at the rate that they are being taken out. But is that the case? “There is a lack of provin-

cial leadership and an actual falling off of all forest health activities,” said Simpson. “In 2007, 270 million seedlings were planted. That is less than were planted in a single year a decade ago. We are also cutting a significantly higher number of trees, in addition to the loss of land base to fire, pests and disease.”

What is even more alarming is the drop off in the projected number of seedlings to be planted in the future. “In 2009, the province of BC projects that it will plant 190 million seedlings. That is the lowest number in 30 years,” reported Simpson.

Many of the private and publicly initiated projects for MPB mitigation are abandoned before they start. “The stumbling blocks to getting funding are many. Each program, Federal or Provincial, has to be applied for separately. Some programs require that the applicant show other source money. The catch is that they have differing criteria.” Using the same application for several programs is nearly impossible. “The applicant can’t leverage funding between programs,” noted Simpson.

Bob Simpson went on to ask, “Where is the coordinated, comprehensive plan for the Province and Federal government working together to direct funds to the forest land base? Where are the programs that address socio-economic conditions? We need to transition affected communities through this horrific experience. And where is the strategy for this?”

Bob Simpson was elected as the MLA for Cariboo North on May 17, 2005. Bob serves in the British Columbia legislature as New Democratic Party Opposition Critic for Forests and Range and is a member on the Select Standing Committee on Finance and Government Services and the Select Standing Committee on Legislative Initiatives. Bob, his wife Trish, and their two teenage children live in Quesnel.